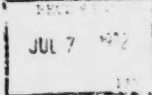




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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549



Form 10-Q

Quarterly Report Under Section 13 or 15 (d) of
The Securities Exchange Act of 1934

For the quarter ended May 30, 1992

Commission File Number 0-4173

DMI FURNITURE, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

41-0678467

(State or other jurisdiction
of incorporation or organization)

(IRS Employer ID Number)

One Oxbow Place, 101 Bullitt Lane
Louisville, Kentucky 40222

(Address of principal executive offices)

Registrant's telephone number,
including area code

(502) 426-4351

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class - Common Stock, Par Value \$.10 per Share

Outstanding at June 19, 1992 - 2,928,000

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INDEX

	<u>Page</u>
Part I. Financial Information	
Balance Sheets - May 30, 1992 and August 31, 1991	3, 4
Statements of Income - Three Months and Nine Months Ended May 30, 1992 and June 1, 1991	5
Statements of Cash Flows - Nine Months Ended May 30, 1992 and June 1, 1991	6, 7
Notes to Financial Statements	8, 9
Management's Discussion and Analysis of Financial Condition and Results of Operations	10, 11
Part II. Other Information	12
Index to Exhibits	
Exhibit 11 - Calculations of Earnings Per Share	13

PART I. FINANCIAL INFORMATION

DMI FURNITURE, INC.

BALANCE SHEETS
(Amounts in thousands)

ASSETS -----	Unaudited	
	May 30, 1992	Aug. 31, 1991

Current assets:		
Cash	\$21	\$17
Accounts receivable - net (Note 6)	6,837	6,246
Inventories (Note 4)	10,039	9,404
Other current assets	466	416
	-----	-----
Total current assets	17,363	16,083
Notes receivable	136	177
Property, plant and equipment - at cost	15,783	15,518
Less accumulated depreciation	6,891	6,365
	-----	-----
Net property, plant and equipment	8,892	9,153
Other assets:		
Intangible pension asset	779	770
Other	47	175
	-----	-----
	826	945
	-----	-----
	\$27,217	\$26,358
	=====	=====

See accompanying notes.

DMI FURNITURE, INC.

BALANCE SHEETS
(continued)
(Amounts in thousands)

	Unaudited	
	May 30, 1992	Aug. 31, 1991
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$4,778	\$4,120
Accrued liabilities	1,608	1,381
Accrued dividends on preferred stock (Note 5)	252	-
Long-term debt due within one year (Note 7)	536	534
Total current liabilities	7,174	6,035
Long-term liabilities:		
Long-term debt (Note 7)	12,071	12,695
Accrued pension costs	1,223	1,223
Deferred compensation	643	678
	13,937	14,596
Stockholders' equity:		
Series C convertible preferred stock, \$2 par value, 2,020,000 authorized and outstanding	4,040	4,040
Common stock	292	292
Additional paid-in capital	14,852	14,852
Retained deficit	(13,078)	(13,457)
Total stockholders' equity	6,106	5,727
	\$27,217	\$26,358
	=====	=====

See accompanying notes.

DMI FURNITURE, INC.
 STATEMENTS OF INCOME
 (Amounts in thousands)
 (Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	May 30, 1992	June 1, 1991	May 30, 1992	June 1, 1991
Net sales	\$12,363	\$11,571	\$35,996	\$34,298
Cost of sales	9,952	9,571	29,076	27,942
Gross profit	2,411	2,000	6,970	6,356
Selling, general and administrative expenses	1,877	1,617	5,412	4,873
	534	383	1,558	1,483
Interest expense (net)	(274)	(324)	(877)	(1,056)
Income before income taxes	260	59	681	427
Provision for income taxes (Note 2)	(20)	(3)	(50)	(32)
Net income	240	56	631	395
Accrued dividends on Series C preferred stock	157	37	252	188
Income applicable to common stockholders	\$83	\$19	\$379	\$207
	=====	=====	=====	=====
Earnings per common share (Note 3)	\$.04	\$.01	\$.11	\$.07
	===	===	===	===

See accompanying notes.

DMI FURNITURE, INC.

STATEMENTS OF CASH FLOWS

(Amounts in thousands)
(Unaudited)

	Nine Months Ended	
	May 30, 1992	June 1, 1991
Cash flows from operating activities:		
Net income	\$631	\$395
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	557	552
Pension costs	(9)	-
Deferred compensation	(35)	(35)
Changes in assets and liabilities:		
Accounts receivable	(591)	395
Inventories	(635)	870
Other assets	78	63
Trade accounts payable	658	(212)
Accrued liabilities	227	(113)
Total adjustments	250	1,520
Net cash provided by operating activities	881	1,915
Cash flows provided (used) by investing activities:		
Capital expenditures (Note 6)	(296)	(301)
Payments received on notes receivable	41	53
Cash (used) by investing activities	(255)	(248)

See accompanying notes.

DMI FURNITURE, INC.
 STATEMENTS OF CASH FLOWS
 (continued)
 (Amounts in thousands)
 (Unaudited)

	Nine Months Ended	
	May 30, 1992	June 1, 1991
Cash flows provided (used) by financing activities:		
Net borrowings under line-of-credit agreement	(\$4)	(\$1,092)
(Payments) additions to long-term debt	(618)	(273)
Cash dividends on preferred stock	-	(303)
	-----	-----
Cash provided (used) by financing activities	(622)	(1,668)
	-----	-----
Increase in cash and short-term investments	4	(1)
Cash and short-term investments, beginning of period	17	10
	-----	-----
Cash and short-term investments, end of period	\$21	\$9
	=====	=====
Cash paid for:		
Interest	\$827	\$1,010
	=====	=====
Income taxes	\$21	\$60
	=====	=====

See accompanying notes.

DMI FURNITURE, INC.

Notes to Financial Statements

(1) Financial Statements

The financial statements included herein at May 30, 1992 and for the three and nine months ended May 30, 1992 and June 1, 1991 are unaudited but include all adjustments which are, in the opinion of management, necessary to a fair presentation of the results of operations and financial position for the periods covered herein. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report on Form 10-K.

The results of operations for the interim periods are not necessarily an indication of the results to be expected for the full 1992 fiscal year.

(2) Income Taxes

The provisions for income taxes on the statements of income are for various state and local income taxes. At August 31, 1991, the Company had for income tax purposes a net operating loss carryforward of approximately \$5,400,000 and an investment tax credit carryforward of approximately \$268,000. The net operating loss and investment tax credit carryforwards will expire in various years through fiscal 2002. The Company had additional operating loss carryforwards for accounting purposes of approximately \$2,154,000 which represent the net aggregate book deductions which have not yet been deducted for tax purposes.

(3) Earnings Per Common Share

Earnings per common share are based on the weighted average number of common and common equivalent shares outstanding during the period, and assumes the conversion of the Series C Preferred Stock into common stock.

(4) Inventories

Inventories were comprised of the following at May 30, 1992 and August 31, 1991:

	<u>May 30, 1992</u>	<u>August 31, 1991</u>
Finished Products	\$5,385,000	\$4,687,000
Work in Process	777,000	759,000
Raw Materials	<u>3,877,000</u>	<u>3,958,000</u>
TOTAL	\$10,039,000	\$9,404,000
	=====	=====

(5) Dividends

The dividends on Series C Preferred Stock accrued in a fiscal year are not payable until the following fiscal year.

(6) Accounts receivable - net

On January 3, 1992, the Company was notified that a customer, which accounted for 3.7% of the Company's total sales for the first quarter of fiscal 1992, had filed for protection under Chapter 11 of the United States Bankruptcy laws. There is insufficient information available at this time to determine the exact amount, if any, that the Company can expect to recover from the receivable. Accordingly, the Company booked an additional bad debt reserve of \$232,000 in the first fiscal quarter ended November 30, 1991 and an additional \$95,000 in the second fiscal quarter ended February 29, 1992 against the account receivable from this customer.

(7) Long term debt

The Company's revolving line of credit, which originated in 1987 (balance at May 30, 1992 - \$6,432,340) expires in September, 1992. In addition, a \$2,361,098 payment on the Company's bank term loan, which also originated in 1987, is payable in September, 1992.

The Company is confident that a revolving line of credit of a duration in excess of one year and a refinancing of the term loan balance payment will be agreed upon prior to September, 1992. The Company is currently evaluating proposals from both its' current bank lender and other large regional banks with respect to this refinancing.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Revenue - Net sales for the third quarter of fiscal 1992 increased by \$792,000 or 6.8% over the third quarter of fiscal 1991. This increase is the result of increased sales in all of the Company's product lines due to improving economic conditions and sales of new product introductions.

Net sales for the first nine months of fiscal 1992 increased by \$1,698,000 or 5% over the first nine months of fiscal 1991. This increase is the result of a 19% increase in the sales of the Company's office furniture line partially offset by a decrease in sales of residential desks and bedroom furniture. The increase in sales of office furniture is the result of new customers with regional and national distribution and improving economic conditions.

Gross Margin - The Company's gross margin in the third quarter of fiscal 1992 was 19.5% compared to 17.3% in the third quarter of fiscal 1991. This increase in gross margin is the result of a favorable product sales mix, higher production levels than in 1991, and lower desk top material costs as a result of the Company's vertically integrated desk top manufacturing operation begun in the second quarter of fiscal 1991.

Gross margin for the first nine months of fiscal 1992 was 19.4% compared to 18.5% for the first nine months of fiscal 1991. This increase is a result of the reasons mentioned above.

Selling, General and Administrative (S,G&A) Expense - For the third quarter of fiscal 1992, S,G&A expense amounted to \$1,877,000 or 15.2% of sales, while for the third quarter of fiscal 1991, S,G&A expense amounted to \$1,617,000 or 14% of sales. This increase as a percentage of sales is the result of higher sales promotion, legal and general administrative expenses.

For the first nine months of fiscal 1992, S,G&A expense totaled \$5,412,000 or 15% of sales, while for the first nine months of fiscal 1991, S,G&A expense totaled \$4,873,000 or 14.2% of sales. The increase in these expenses as a percentage of sales is a result of increased bad debt expense in the first and second fiscal quarters partially offset by proceeds from the death benefit of life insurance policies on a former key employee of a former subsidiary of the Company and the reasons mentioned above.

Interest Expense - For the third quarter of fiscal 1992, net interest expense was \$274,000, compared to \$324,000 for the third quarter of fiscal 1991. This decrease is the result of lower interest rates than in the previous year offset by higher average bank debt balances due to increased levels of accounts receivables and inventories to support the increased sales volume.

Net interest expense for the first nine months of fiscal 1992 was \$877,000 compared to \$1,056,000 for the first nine months of fiscal 1991. This decrease is the result of the reasons mentioned above.

Liquidity and Capital Resources - Demands for funds relate to payments for raw materials and other operating costs, debt obligations, accrued preferred stock dividends, and capital expenditures. The Company's ability to generate cash adequate to meet short and long-term needs is dependent on the collection of accounts receivable and from its ability to borrow funds. On June 18, 1992 the Company had \$1,561,000 additional borrowings available under the formula for calculating its available borrowings under a bank revolving credit agreement. The Company's days of sales outstanding of accounts receivable averaged 50 days for the third quarter of fiscal 1992, compared to 47 days for the third quarter of fiscal 1991. For the first nine months of fiscal 1992, the days of sales outstanding of accounts receivable averaged 51 days compared to 48 days for the same period in fiscal 1991. The Company's average days of inventory on hand averaged 90 days for the third quarter of fiscal 1992, compared to 84 days for the third quarter of fiscal 1991. The Company's average days of inventory on hand averaged 92 days for the first nine months of fiscal 1992 compared to 88 days for the first nine months of fiscal 1991. The Company's order backlog at May 30, 1992 was \$6,090,000, a 41% decrease from \$10,369,000 at the same time last year. This decrease is primarily due to the shorter lead times the Company's customers are providing.

The Company has been named as a potentially responsible party ("PRP") at the Keystone Sanitary Landfill Superfund site (the "Keystone site") in Union Township, Pennsylvania pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"). The EPA has estimated that the cost of clean-up in accordance with EPA's preferred remedy for the on-site contamination is currently between \$12,000,000 and \$16,000,000. EPA has previously identified the Company as one of over 1,600 customers at the Keystone site. The EPA is currently negotiating a settlement with ten PRP's which each sent less than 6,500 cubic yards of material to the Keystone site. On June 28, 1991, the EPA also issued an Administrative Order pursuant to Section 106 of CERCLA to 12 PRP's requiring cleanup of the on-site contamination. The EPA did not consider the Company eligible for the de minimis settlement, but did not name the Company in the Administrative Order. The Company anticipates that additional responsible parties will be identified, and liability, if any, for any proposed remedy will ultimately be allocated based upon the relative responsibility of all the present and prospective PRP's. Until the other PRP's have been identified, and any liability, which is generally determined based upon relative volumetric contribution, has been allocated by agreement, an allocation consultant or otherwise, the Company's potential liability cannot be estimated.

The Company does not believe any events are probable which would materially change its present liquidity position, which is adequate to satisfy known demands for funds for operations and to pay bank and other debt. (See Note 7)

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) EXHIBITS

11. Calculations of earnings per share.

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the third quarter of fiscal 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DMI FURNITURE, INC.

(Registrant)

Date: July 6, 1992

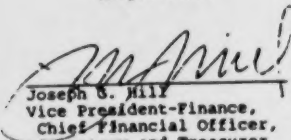

Joseph S. Hill
Vice President-Finance,
Chief Financial Officer,
Secretary and Treasurer

EXHIBIT 11.

DMI FURNITURE, INC.

CALCULATIONS OF EARNINGS PER SHARE

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	May 30, 1992	June 1, 1991	May 30, 1992	June 1, 1991
Net income	\$240,000 *****	\$56,000 *****	\$631,000 *****	\$395,000 *****
Average shares of common stock and equivalents outstanding:				
Average common shares outstanding	2,928,000	2,924,972	2,926,654	2,898,051
Common stock equivalents-- dilutive options, warrants and convertible preferred stock	2,930,902	2,905,793	2,910,373	2,898,438
Average shares of common stock and equivalents outstanding	5,858,902 *****	5,830,765 *****	5,837,027 *****	5,796,489 *****
Earnings per share applicable to common stockholders	\$.04 ***	\$.01 ***	\$.11 ***	\$.07 ***